

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re:	§	Chapter 11
	§	
W.R. GRACE & CO., et al.,	§	Jointly Administered
	§	Case No. 01-01139 (JKF)
Debtors.	§	
	§	

**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF DELOITTE & TOUCHE LLP
FOR THE ELEVENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fee Application of Deloitte & Touche LLP for the Eleventh Interim Period (the "Application").

BACKGROUND

1. Deloitte & Touche LLP ("Deloitte") was retained as advisor regarding custom procedures review services, tax advice, and compensation and benefits services to the Debtors and Debtors in Possession. In the Application, Deloitte seeks approval of fees totaling \$651,908.00 and costs totaling \$21,761.00 for its services from February 4, 2003, through December 31, 2003.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30,

1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on Deloitte an initial report based on our review, and received a response from Deloitte, portions of which response are quoted herein.

DISCUSSION

3. In our initial report, we noted that this is Deloitte's first Application in this case and that the firm was retained on February 4, 2003.

4. We noted six lodging expenses totaling \$1,867.00 which may be excessive. The entries are provided below.

4/21/2003	JZ	Accommodations	Hotel Accommodations in Columbia	286
4/21/2003	KO	Accommodations	Hotel Accommodations in Columbia	286
4/21/2003	NB	Accommodations	Hotel Accommodations in Columbia	321
4/21/2003	AP	Accommodations	Hotel Accommodations in Columbia	286
5/13/2003	RR	Custom Audit/FA	Hotel room	363
5/15/2003	MS	Custom Audit/FA	Hotel room	325

Paragraph II.E.1. of the Guidelines states, “. . .[f]actors relevant to a determination that the expense is proper include the following: 1. Whether the expense is reasonable and economical. For example, first class and other luxurious travel mode or accommodations will normally be objectionable.” Except for New York City and San Francisco at \$300 per night, we recommend a reasonable ceiling of \$250 per night for lodging. We asked Deloitte to explain why the referenced lodging expenses should not be viewed as excessive. Deloitte responded as follows:

...we would like to take a voluntary reduction to \$250 per night for the lodging expense entries listed in paragraph 4 of the Application of Deloitte & Touche LLP for the Eleventh Interim Period, pursuant to the Fee Auditor's recommendation in that paragraph.

We appreciate the response and thus recommend a reduction of \$367.00 in expenses.

CONCLUSION

5. Thus, we recommend approval of fees totaling \$651,908.00 and costs totaling \$21,394.00 (\$21,761.00 minus \$367.00) for Deloitte's services from February 4, 2003, through December 31, 2003.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: _____

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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 3rd day of June, 2004.

Warren H. Smith

SERVICE LIST

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